



上海復旦微電子股份有限公司
Shanghai Fudan Microelectronics Company Limited*
(a joint stock limited company incorporated in the People's Republic of China)

3RD QUARTERLY REPORT 2003

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of Shanghai Fudan Microelectronics Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Fudan Microelectronics Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

** for identification purpose only*

THIRD QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (“Board”) of Shanghai Fudan Microelectronics Company Limited (“Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months and three months ended 30 September 2003, together with the comparative unaudited figures for the corresponding periods in 2002, as follows:

	<i>Notes</i>	Nine months ended 30 September		Three months ended 30 September	
		2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Turnover	2	70,146	37,038	27,826	17,230
Cost of sales		(44,879)	(26,961)	(17,093)	(12,000)
Gross profit		25,267	10,077	10,733	5,230
Other revenue and gains		1,990	879	598	100
Selling and distribution costs		(4,393)	(3,006)	(1,590)	(1,158)
Administrative expenses		(11,248)	(8,448)	(4,001)	(2,950)
Other operating expenses		(6,100)	(3,713)	(2,158)	(1,036)
Profit/(loss) from operating activities		5,516	(4,211)	3,582	186
Finance costs		(55)	(29)	(30)	(4)
Share of loss of an associate		(1,367)	(2,294)	(695)	(1,621)
Profit/(loss) before tax		4,094	(6,534)	2,857	(1,439)
Tax	3	(178)	197	(17)	–
Profit/(loss) before minority interests		3,916	(6,337)	2,840	(1,439)
Minority interests		(97)	45	(47)	(56)
Net profit/(loss) from ordinary activities attributable to shareholders		3,819	(6,292)	2,793	(1,495)
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings/(loss) per share					
– Basic	5	0.61 cents	(1.04) cents	0.45 cents	(0.25) cents

Notes:

1. Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for long term equity investments.

2. Turnover

Turnover represents the invoiced value of goods sold, net of value-added tax, trade discounts and returns.

3. Tax

	Nine months ended		Three months ended	
	30 September		30 September	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
PRC				
Over-provision in prior period	–	(197)	–	–
Hong Kong				
Provision for the period	<u>178</u>	–	<u>17</u>	–
	<u>178</u>	<u>(197)</u>	<u>17</u>	<u>–</u>

For the period ended 30 September 2003, the Company has no assessable income and no provision for income tax has been made accordingly.

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the period.

The Group has not recorded deferred tax assets which is related primarily to unused tax losses amounted to approximately RMB7,458,000 due to the uncertainty that the resultant deferred tax asset will be recovered in the foreseeable future. These tax losses have an expiry date of 5 years.

4. Reserves

Details of movements in the reserves of the Group during the nine months ended 30 September 2003 are set out below:

	Share premium <i>RMB'000</i>	Statutory common reserve <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2003	170,717	–	–	–	(7,096)	163,621
Net profit for the period	–	–	–	–	3,819	3,819
At 30 September 2003	<u>170,717</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,277)</u>	<u>167,440</u>
At 1 January 2002	70,375	456	456	–	(873)	70,414
Issue of shares (<i>Note</i>)	100,342	–	–	–	–	100,342
Net loss for the period	–	–	–	–	(6,292)	(6,292)
Foreign exchange adjustments	–	–	–	8	–	8
At 30 September 2002	<u>170,717</u>	<u>456</u>	<u>456</u>	<u>8</u>	<u>(7,165)</u>	<u>164,472</u>

Note: On 21 February 2002, the Company issued an additional 105,604,000 new H shares of RMB0.10 each to investors at HK\$1.07 each.

5. Earnings/(loss) per share

The calculation of the basic earnings per share for the nine months and three months ended 30 September 2003 are based on the unaudited consolidated net profit attributable to shareholders of approximately RMB3,819,000 and RMB2,793,000 respectively (Nine months and three months ended 30 September 2002: loss of RMB6,292,000 and RMB1,495,000 respectively) and the weighted average number of 624,354,000 shares (2002: 604,626,000 shares) in issue, during the period.

Diluted earnings per share for the nine months ended 30 September 2003 and the comparative diluted loss per share have not been calculated because no diluting events existed during the two nine months ended 30 September 2003.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2003 (2002: Nil).

BUSINESS REVIEW

For the nine months and the three months ended 30 September 2003, the Group recorded turnover of approximately RMB70,146,000 and RMB27,826,000 respectively (Nine months and three months ended 30 September 2002: RMB37,038,000 and RMB17,230,000), representing increases of approximately 89% and 61% respectively as compared to the same periods in the previous financial year. Unaudited consolidated profits attributable to shareholders for the nine months and the three months ended 30 September 2003 amounted to approximately RMB3,819,000 and RMB2,793,000 respectively (Nine months and three months ended 30 September 2002: loss of RMB6,292,000 and RMB1,495,000 respectively).

Following the recovery of global economy, the IC products in the PRC domestic electronic market has noted an increase in demand during the third quarter ended 30 September 2003. In respect of sales, for the five categories of the Group's products, except sales of telecommunication products dropped as a result of market saturation and keen competition, sales in other categories were recorded with ideal growth. With regard to individual product, the One Card Pass in public transportation which was launched in the last quarter achieved a considerable sales turnover, in addition, sales of earth leakage current detector circuit and multi-fee power control circuit continued to grow with bulk orders, as such, the Group was enabled to result with a considerable increase in overall turnover. Besides, overall profit margin was increased as a result of gradual stability in the pricing of the Group's products and effective cost of sales which was attributable to technology achievement.

During the period of nine months ended 30 September 2003, in respect of operating expenses, various expenditure were increased in accordance with increase in turnover. The increase in other operating expenses was comparatively high, which was attributed to development and research costs incurred for new products and increase in provision for doubtful debts resulted from growth in turnover.

As the Group's subsidiaries become more mature, contributions of profit were recorded during the period under review. However, the telecommunication business of its associated company was still in a declining tendency and suffered from market saturation and very keen competition, the Group shared a loss of this associated company amounted to approximately RMB1,367,000 during the period.

FUTURE PROSPECTS

The Group will continue to concentrate in its core business, to reinforce its development and research on the application of contactless IC chips in the system of public transportation and road toll, and to expedite the development and research of multi-fee power control meter and its application on system on chip (“SOC”). Upon being one of the chips suppliers in the One Card Pass project of the Shanghai public transportation system, the Group has also succeeded in penetrating its chips to the public transportation system in certain cities within the country. The Group has devoted its effort in marketing and anticipates extending its sales network to cover other provinces and cities in the PRC. Following the accredited approval with intellectual proprietary rights on its chips, the Group will accelerate its development on expanding the scope of applications of its chips in various kinds of multi-fee power control meters with an aim to comply with different specifications in various provinces and cities; and by way of promoting its chips together with SOC application, the Group expects to provide chips with a total solution that meets all the requirements of “Specifications of technology in single-phase multi-fee power control meter”.

The directors believe that the Group’s business will continue to share the benefits generated from the economic growth in the PRC and changeover in electronic technologies, and the Group will make great effort and sets its target to be one of the world’s leading IC multinational enterprises.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SHARES

As at 30 September 2003, the interests of the directors and supervisors in the share capital of the Company as recorded in the registers maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) or otherwise notified to the GEM or the Company as required by Chapter 5.40 of the GEM Listing Rules were as follows:

Domestic shares of the Company

	Number of shares held and nature of interests				Total
	Personal	Family	Corporate	Other (note)	
Directors					
Mr. Jiang Guoxing	7,210,000	–	–	1,442,300	8,652,300
Mr. Shi Lei	7,210,000	–	–	12,980,000	20,190,000
Mr. Yu Jun	–	–	–	10,961,530	10,961,530
Ms. Cheng Junxia	–	–	–	8,076,920	8,076,920
Mr. Wang Su	–	–	–	7,211,530	7,211,530
Mr. Chen Xiaohong	–	–	–	7,211,530	7,211,530
Ms. Zhang Qianling	–	–	–	1,733,650	1,733,650
Mr. He Lixing	–	–	–	1,442,300	1,442,300
Mr. Shen Xiaozu	–	–	–	1,442,300	1,442,300
	<u>14,420,000</u>	<u>–</u>	<u>–</u>	<u>52,502,060</u>	<u>66,922,060</u>

Number of shares held and nature of interests

	Personal	Family	Corporate	Other (note)	Total
Supervisors					
Mr. Li Wei	–	–	–	6,057,690	6,057,690
Mr. Ding Shengbiao	–	–	–	7,211,530	7,211,530
Mr. Xu Lenian	–	–	–	865,380	865,380
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	–	–	–	14,134,600	14,134,600
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note:

These shares are held by the Staff Shareholding Association of the Company (“SSAC”) which is constituted by members consisting of the executive and non-executive directors, the supervisors, certain employees and ex-employees, various employees of ASIC System State-Key Laboratory of Shanghai Fudan University (“University Laboratory”) and Shanghai Commerce Invest (Group) Corporation Limited (“SCI”), a substantial shareholder of the Company, as well as various individuals engaged in technological co-operation with the University Laboratory.

Save as disclosed above, at 30 September 2003, none of the directors and supervisors or their associates had any personal, family, corporate or other interests in the equity of the Company or any of its associated corporates, as defined in the SDI Ordinance.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES

At no time during the period were rights to acquire benefits by means of the acquisition of shares of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2003, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of interests
SSAC	144,230,000	23.10
Shanghai Fudan High Tech Company (<i>note 1</i>)	106,730,000	17.09
SCI (<i>note 2</i>)	95,200,000	15.25

Notes:

(1) Shanghai Fudan High Tech Company is a state-owned enterprise wholly-owned by Fudan University.

- (2) SCI is a state-owned enterprise wholly-owned by Shanghai Municipal Government. Of the 95,200,000 domestic shares in which SCI is interested, 46,160,000 domestic shares are held in its own name, 34,620,000 domestic shares are held by a wholly-owned subsidiary of SCI, Shanghai Pacific Commercial Trust Company, and 14,420,000 domestic shares are held by a 74.3%-owned subsidiary, Ningbo Lirong Co., Limited. The 46,160,000 domestic shares held in its own name represent approximately 7.39% of the registered share capital of the Company.

Save as disclosed above, as of 30 September 2003, no persons, other than the directors and supervisors of the Company, whose interests are set out in the section “Directors’ and supervisors’ interests in shares” above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

None of the directors of the Company had an interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company’s annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board of Directors and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising the three independent non-executive directors, Mr. David Yung, Mr. Leung Tin Pui and Mr. Xu Juyan. The Group’s financial statements for the nine months ended 30 September 2003 have been reviewed by the committee, who were of the opinion that such statements complied with the applicable accounting standards, the GEM and legal requirements, and that adequate disclosures had been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the nine months ended 30 September 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board
Jiang Guoxing
Chairman

Shanghai, the PRC, 11 November 2003

This announcement will remain on the GEM website on the “Latest Company Announcement” pages for at least 7 days from the day of its posting.